GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:368
ANSWERED ON:25.02.2000
FINANCING SHARE CAPITAL MARKET
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Will the Minister of FINANCE be pleased to state:

(a) whether banks, financial institutions and mutual funds have started financing the subscribers in the primary market to raise the index of the capital market;

(b) if so, the details thereof; and

(c) the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (c) : According to SEBI, it has beenobserved that banks have participated in recent public issues. As per RBI guidelines, banks can provide advances to individuals for subscribing to rights or new issues of shares, debentures/bonds against shares, subject to certain prudential limits imposed by RBI.Further, mutual funds are not permitted to advance any loans for any purpose as per SEBI (Mutual Funds) Regulations,1996. In this context, it may be mentioned that financing of subscribers in the primary market does not have a direct impact on stock market indices. Such indices are more a reflection of the secondary market activity.